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Energy as a dimension of Russian foreign policy

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Table of Contents

Definitions	5
Why and how Russia uses energy as a means of exercising foreign policy.....	7
1. Russia's energy relations with the Commonwealth of Independent States (Central Asia)	8
1.1. Russia and the countries of Central Eurasia.....	8
1.2. Energy in Central Eurasia: the conditions for cooperation	8
1.3. Russia strengthens its own position by controlling Central Asian energy exports.....	9
1.4. Russia's fears and actions from China's and Central Asian states' cooperation in the energy sector.	10
2. Russia's energy relations with the baltic states.....	10
3. Russia's energy relations with the Caucasus States.....	12
3.1 Importance of the Caucasus in the field of energy	12
3.2 Russian foreign Policy in the south Caucasus under Putin	12
3.3 Russia's reply to re-routing of energy supplies in the Caucasus.....	12
3.4 Russia's energy relations with Georgia and the energy security in Georgia.....	13
3.5 Russia's energy relations with Armenia	13
3.6 Russia's energy relations with Azerbaijan.....	13
3.7 Is Russia a New Threat for Azerbaijan?.....	14
3.8 Armenia versus Azerbaijan: the frozen conflict of Nagorno-Karabakh – Russia's role on the conflict and the energy security it wants to impose	14
4. Russia's energy relations with the Balkan States.....	15
5. Russia's energy relations with the EU and the Ukraine.	16
5.1. Russia's Gas Relations with the EU	17
5.2. Russia's pipes bypassing Ukraine	17
6. Russia's energy relations with the Northeast Asia (PRC, Japan, Korean Peninsula).....	18
6.1. Russia's energy relations with PRC	19
6.2. Russia's energy relations with Japan	20

6.3. Russia's energy relations with South Korea	21
7. Russia's energy relations with the Middle East – Arab World, Iran and Turkey	22
7.1. Russia's presence in the Middle East hydrocarbon deposits and the Russia-Israel cooperation.	22
7.2. The presence of Russian oil companies in Iran	23
7.3. The presence of Russian oil companies in Syria - Russia's competition with the Gulf states to supply hydrocarbons on the European market.....	24
7.4. Russia-Turkey Energy Partnership: Collaboration with Conflict	24
Concluding remarks	27
Bibliography - References	28

Definitions

When dealing with politics and energy, the terms 'geostrategy', 'geopolitics', 'geochemistry', 'energy policy' and 'energy security' are often used.

Politics, strategy and economy related to geography

Geopolitics concerns the political and strategic significance of geography. More specifically, geopolitics is comprised of the distribution of political and military power. It analyses the links and causal relationships between political power and geographic space. In addition, it explains how factors such as the size of territory and population, geographic position, the availability of resources and a state's dependency on foreign trade determine the status of a state or region and its behaviour in the international arena.

Geo-strategy refers to various theories regarding foreign policy actions, as motivated by the desire (or claimed "need") for the control of foreign resources — i.e. to "match" material resources with large scale economic demands. National strength and dominance (economic and military) are intrinsic to any operable concepts of "strategy," and "geo-strategy" represents a bridge between the political and military goals of a particular nation.

Geo-economics studies the relationship between politics and economics, especially on an international scale. Geo-economics involves the distribution of wealth, for example by commercial competition, which can be converted into political clout. It comprises a combination of international economic and political factors relating to or influencing a nation or region (De Haas M., Tibold A., Cillessen V., 9-10:2006).

Energy policy and security

Before energy itself can be discussed, the meaning of the words '*energy policy*' and '*energy security*' need to be explained.

Energy policy is the way in which actors address issues of energy production, distribution and consumption.

Energy security is related to the survival of the corresponding actors with regard to energy. Problems concerning energy supplies (on the consuming as well as on the producing side) might endanger the survival of the entity (De Haas M., Tibold A., Cillessen V., 10:2006).

State capitalism

State capitalism is an economic system in which governments manipulate market outcomes for political purposes. Governments embrace state capitalism because it serves political as well as economic purposes—not because it's the most efficient means of generating prosperity. It puts vast financial resources within the control of state officials, allowing them access to cash that helps safeguard their domestic political capital and, in many cases, increases their leverage on the international stage. According to Ian Bremmer (American political scientist): «*state capitalism also stems the rise of globalization, because to varying degrees it hampers the flow of ideas, information, people, money, goods, and services within countries and across international borders*» (Bremmer I., 2009). Russia is normally referred to as one of the typical representatives of state capitalism. However, according to Brandeis University Professor, Aldo Musacchio and Professor of Organization and Strategy at Insper Institute of Education and Research, Sergio Lazzarini (2012) «*Russian state owned enterprises contribute about 20 percent output to total GDP, compared with 30 percent in Brazil and China*». Also, though higher than in many other state capitalist economies, Russian state owned enterprises' market capitalization constitutes some 40 percent of the total, while it stands at 70 percent in China (Shadrina E., 11:2013).

Furthermore, as Professor of International Relations and Political Sciences at Boston University, Vivien A. Schmidt, and Professor of Comparative Politics and International Studies at the London School of Economics, Mark Thatcher mention: «*When President Vladimir Putin came to power at the beginning of the 2000s, he initiated a radical shift in Russia's policy towards economic. His top priority was order. To remedy the chaotic social situation, bequeathed to him by President Boris Yeltsin, Putin decided to impose order. He did this by asserting state control over the "oligarchs" -the wealthiest capitalists of the country- who were ordered to stay out of politics and relinquish assets that the state demanded, particularly in media, oil and gas. Putin developed "national champions" such as Gazprom that were closely held by the state and sought to achieve geopolitical as well as economic goals*» (Schmidt A. V. and Thatcher M., 394:2013).

Why and how Russia uses energy as a means of exercising foreign policy.

Every nation uses its political connections, economic relations (e.g. foreign trade and FDI), military capability and other available means in the most effective way to strengthen the nation's position in the international arena. Russia is no exception. What makes Russia exceptional is the loss of its super power status due to the break-up of the USSR in 1991. The collapse of the Soviet Union almost led to the disintegration of the Russian Federation and to a deep economic fall. As a consequence of the prolonged crisis roughly one half of Russia's GDP evaporated during the period 1990-1996. The post-Soviet economic fall came to an end in 1997 but already a year later Russia also experienced the consequences of the Asian crisis. Since 1999, Russia's recovery has, to a great extent, been based on the booming oil prices (Liuhto K., 5:2010). In the 2000-2010 period, Russia almost managed to double its real GDP. The development had inspired the Russian leadership to aim at regaining the superpower status it lost two decades earlier. In the last decade 2000-2010, Russia became the world's largest exporter of energy. Changing strategy is a comprehensible move, as the energy sector is used as a foreign policy weapon, In contrast to military power (Liuhto K., 5-6:2010).

The aim of the following working paper is to analyze:

- 1) Russia's ability to use energy to achieve the objectives of its foreign policy,
- 2) Russia's customers dependence on energy imports,
- 3) The ways in which Russia uses energy as a foreign policy tool, and
- 4) The strategic objectives of Russia's external energy policy.

A well-known fact is that Russia simultaneously acts as an energy producer, exporter, importer, consumer, and a transit state is not necessarily incorporated within the contemporary scholarship on Russian energy. For this reason, it is often disregarded that Russia's foreign energy policy is influenced by a broad range of factors acting both internally and externally (Shadrina E., 11:2010). Since the end of the 1990s, due to the rising energy prices and an increasing demand – especially because of China and India – Russia has re-discovered energy as a policy instrument. (De Haas M., Tibold A., Cillessen V., 51-52:2006). The most obvious example was given in December 2005 when Russia stopped distributing energy to Ukraine to force it to pay higher gas (theguardian/02/01/2006). However, the renewed interest in the energy instrument comes now as part of a coordinated policy endeavour together with the military instrument. Russia's leadership does not hide this conviction, which was demonstrated in 2003, when Putin called Russia's gas firm Gazprom «...a powerful political and economic lever of influence over the rest of the world» (Kempe F., 2006), (Ostrovsky A., 2006).

Furthermore, Defence Minister Ivanov has stated that: «*Russia now needs to think not only about diplomatic, but also about forceful means to safeguard its economic interests*». Another indication that the Kremlin is very much aware of the importance of synergy in combining military and energy tools of power, is the fact that in November 2005 President Putin appointed Minister of Defence, Sergey Ivanov, as well as the deputy head of Gazprom, Dmitri Medvedev, as vice-premiers. It is very likely that these representatives of military and energy power are Putin's 'crown princes' for his succession as President in 2008. The appointment of these two vice-premiers is proof of Russia's policy of well-concerted uses of military and energy tools for leverage in the international arena (De Haas M., Tibold A., Cillessen V., 51-52:2006). Russia's (renewed) interest and vigilance about the importance of energy sources is not limited to its use as a means of power. In recent years, Russia's political and military leadership has also realized that protecting its energy resources is vital to its national security. Consequently, First Deputy Defense Minister and Chief of Staff of Russia, Yuriy Baluyevskiy, added defence of Russia's mineral resources to the list of tasks for the military during an April 2006 press conference on the introduction of regional commands (Giles K., 3:2006).

1. Russia's energy relations with the Commonwealth of Independent States (Central Asia)

1.1. Russia and the countries of Central Eurasia

Russia's approach towards the Central Eurasia is perceived either as an attempt to regain the status of a Great Power, or keep other states (first and foremost, China) from getting a solid ground here (Pisarev A., 5:2012). The truth lies somewhere in between. Encapsulating Russia's relation into the Great Power game format – even for purely analytical purposes – clashes against reality, wherein the CEs are increasingly pursuing their own strategic goals both on regional and international arena (Shadrina E., 108:2010).

1.2. Energy in Central Eurasia: the conditions for cooperation

Today, virtually every great power has a share of interest in the energy affairs of Central Eurasia. Energy relations with the countries of Central Eurasia are of vital importance to Russia for two main reasons: First, in Central Eurasia, Russia is developing various forms of energy cooperation in various sectors (oil, gas, electricity, etc.) (Troitskiy M., 2:2006). Another aspect, albeit somewhat diminishing, concerns the fact that this very co-operation helps Russia to fulfill its export commitments in Europe. Nevertheless, because the Central Eurasian region attracts great attention as one of the most "lively" places in the modern global energy map, and countries are increasingly shaping their own ambitions (Ratner M., Belkin P., Nichol J., Woehrel S., 18-19: 2013) is no longer right to evaluate Russia-Central Eurasian relations in the form of a zero sum, where Russia «*maintains its political influence on Central Asia and gains economic benefits from the transportation of the Central Asian energy export*» (Marketos T., 23: 2009). After a period of uncertainty, Russia has succeeded in redefining the reasons for energy cooperation with Central Eurasia with some degree of mutual satisfaction. It is safe to note that energy cooperation between Russia and Central Eurasia is to a large extent the product of common interests of the national political elites. Russia has apparently managed to remain a major player in Central Eurasian energy. One of the factors that may have played in this direction is the specificity of Russia from the western countries that «*... does not link its assistance to political conditions, and the Central Asian regimes, which have become more and more authoritarian, have been particularly appreciative of this. Russia has thus played a crucial role in Central Asian state building by promoting a post-Soviet mode of governance that could be defined as authoritarian*» (Laruelle M., 5:2009).

In the context of competition with other powerful powers in the region (eg China) and the rise of regional forces (such as Kazakhstan and Turkmenistan, in particular) (Marketos T., 23: 2009), Russia attaches increasing importance in regional organizations such as the Collective Security Treaty Organization (CSTO), the Eurasian Economic Community (EURASEC) and the Shanghai Cooperation Organization (SCO). The SCO, to which China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan are members, and India, Pakistan, Iran, and Mongolia are observers, is one of the organizational pillars of Russia's energy relations with the Central Eurasian states (Shadrina E., 111: 2010). Russia's presence in the Central Asian energy sector has been recuperating from decline following the USSR's demise. In the early post-Soviet period, the trend of Russia – Central Asia energy cooperation was negative. That is to say, if in 1990 Uzbekistan's export to Russia was 10.8 bn cm, in 2003 it declined sharply to slightly over 1 bn cm. Likewise, Turkmenistan's export to Russia, slid from 54.3 bn cm in 1990 to 5.2 bn cm in 2003 (Shadrina E., 112:2010). Initially, Russia's activities were concentrated in Kazakhstan, but around 2000 Gazprom also began to make inroads into Uzbekistan and Turkmenistan, and since 2005, into Kyrgyzstan and Tajikistan as well (Shadrina E., 112:2010).

Since 2004, Russia's energy cooperation with Central Asia has been reviving. Numerically, Gazprom's purchases peaked in 2008 amounting to 66 bn cm of which 40 billion bn cm came from Turkmenistan and 15 bn cm from Uzbekistan (Qian L., 2015). The key driving force for this expansion was Russia's changed geopolitical priorities with higher significance attached to expansion of relations with Central Asian states. That is to say, with the backing of intergovernmental agreements from Uzbekistan, in 2004, for instance, Gazprom imported 7 bn cm in 2005, in 2006 – 6 bn cm, 2007 – 10.5 bn cm, and in 2008 – 13.8 bn cm (Shadrina E., 112:2010). Russia has played a major role in the development of the Central Asian hydrocarbons trade. Being in a sense a transit state, Russia has also acted as an exporter of Central Asian hydrocarbons, utilizing the Soviet-era energy transport infrastructure (Shadrina E., 113:2010). However, Russia can no longer control either the flows or the Central Asia hydrocarbon prices. The increasingly diversified energy relations between Central Asia and China, as well as with Iran (which imports gas from Turkmenistan and Azerbaijan) and Europe (which imports oil from Kazakhstan via the BTC pipeline (Baku-Tbilisi-Ceylan) - reduces the sovereignty of Russia (Shadrina E., 113:2010). Trying to capture markets, large Russian companies have implemented aggressive trade offensives, which, similar to the situation of other great world powers, are also instruments of official political interests. Although in the 1990s the major Russian companies pursued their own policies, often in contradiction with those decided by the Kremlin, under Putin state interests and those of the major companies have reunified. This seems to have provided Russia with a single solution for its multiple objectives: first, to maintain political influence over the Central Asian regimes through the control of resources; second, to continue collecting considerable transit revenues from these landlocked countries; third, to slow down – but not stop – the emergence of competing export routes to China, Iran and Turkey; and finally, to meet growing European energy demands (Laruelle M., 6:2009).

1.3. Russia strengthens its own position by controlling Central Asian energy exports

Russia does not only export its own energy, but the country with its vast pipeline network also acts as an important gatekeeper, strengthening its energy position in Eurasia further Russia buys gas and oil from Central Asia, which allows it to export more of its own resources, or alternatively, sell Central Asian resources on its own account, with higher prices eventually. As Russia has not ratified the Energy Charter Treaty (ECT) it signed during the Yeltsin presidency (Liuhto K., 11:2010) the Central Asian countries cannot freely access the Russian pipeline network, even if there would be a capacity available (Dr. Kolchin S., 2006). Naturally, such a gatekeeper position improves Russia's foreign policy position vis-à-vis the Central Asian countries, which are rather dependent on hydrocarbon exports (Liuhto K., 11:2010). For instance, approximately 80% of Kazakh and Turkmen exports consist of fuels and mining products (Erokhin V., 18:2016). The controller position of the pipes strengthens Russia's negotiation position towards Ukraine, which is the major recipient of Central Asian gas. In 2008, Ukraine imported close to 60 bcm of gas. According to senior fellow at the Centre for Eastern Studies (OSW) focusing on energy policy Loskot-Strachota: «*all Ukraine's gas imports arrived from Central Asia via the Gazprom pipes*» (Loskot-Strachota A., 8:2009). To be more precise, Gazprom bought over 66 bcm of gas from Turkmenistan, Uzbekistan and Kazakhstan, and then through RUE (RosUkrEnergō ή Russian-Ukrainian Energy) sold most of this quantity to European countries (especially Ukraine, but also Poland and Hungary), and to ZMB (currently Gazprom Germania - the German subsidiary of Gazprom). In 2009 this model was changed as a result of two developments: firstly, RUE was excluded from intermediation in gas trade, and secondly, in the first half of the year Gazprom substantially reduced gas purchases from Central Asia (Turkmenistan), as well as the exports of Central Asian gas to Europe, in connection with the drop in demand and the relatively high price of Central Asian gas (Loskot-Strachota A., 8:2009).

1.4. Russia's fears and actions from China's and Central Asian states' cooperation in the energy sector.

On August 2007, China opened its first gas processing plant in Turkmenistan (Amu Darya Project) with an annual capacity of more than 6 billion cubic meters. On December 13, 2011, China opened its second gas processing plant was kicked off and put into operation on May 7, 2014, with an annual capacity of 9 billion cubic meters. (CNPC 2017). Even if the Turkmen leadership tries to balance between the political leverage of China and Russia, it is unlikely that Turkmenistan can fill both the Russian and Chinese gas pipelines in full. Should the Turkmen supplies to Russia decline, it would be more difficult for Russia to maintain earlier volumes of gas exports to the West. Ukraine would be the first country to face the reducing amounts of natural gas flows from Central Asia. This should further encourage the Ukrainian leadership to erect several nuclear power stations (Liuhto K., 13:2010). In April 2010, the Russian Prime Minister Putin proposed funding for Ukraine's new nuclear power units. Putin said that Russia could grant a \$5-6 billion loan to Ukraine for building the third and fourth units of the Khmelnytsky nuclear power station (world-nuclear.org/26/09/2016).

2. Russia's energy relations with the baltic states

In the Baltic States, Russia has also used harsh and mild tactics to influence their domestic and economic policies. According to American political scientist and author writing on security and energy issues of Russia, Europe, and the Post-Soviet states Grigas Agnia, there are three ways in which Russia has used tough power in the energy sector as a means of influence: a) oil sanctions, b) gas isolation, and c) nuclear energy "(Grigas A., 4,6,8: 2012). Russia has used the energy sector as a means of hard power through oil sanctions. According to Grigas Agnia, Russia has cut off energy exports on around 40 times in neighboring states, mainly in the CIS (Ukraine, Belarus and Kazakhstan) and the Baltic states. Examples of Russia's interruptions in energy exports to the Baltic States occurred in the Latvian port operator Ventspils Nafta (VN), to the Lithuanian oil refinery Mazeikiu Nafta (MN), as well as interruptions to the oil supply via rail to Estonia in May 2007. The incident with Mazeikiu Nafta, which occurred in Lithuania in 2006 (Witzleb N., Martínez Arranz A., Winand P., 183:2015) is a clear indication that Russia is prepared to punish a state that does not act in accordance with its interests.

Moscow has argued that the closure occurred because of technical difficulties. For the Lithuanian elites this lacks credibility as the Russian government reported the accident on the pipeline immediately after the Lithuanian government approved transfer of the MN refinery ownership from Russia's Yukos to Poland's PKN Orlen in May 2006 (Grigas A., 4:2012),(Kramer A., 2006). A similar incident occurred in Latvia during the privatization of the Latvian Port Ventspils Nafta in 2003, when the Latvian government resisted the investment efforts of Russian companies, including Transneft and Lukoil (Lelyveld M., 2003). In response, the Russian authorities stopped supplying oil at the port. The Latvian authorities, however, refused to retreat, and to date, Russian oil is not transported to the port concerned (Grigas A., 4:2012). In May 2007, in Estonia, protesters demolished a monument to celebrate the Soviet victory over Nazi Germany in the Second World War. The fact happened just days before Russia's national holiday, which has been annoyed to a large extent by the Russian government. In response, the state-owned Russian Railways cited planned track repairs and stopped Rail deliveries of Russian crude oil, gasoline and other resources to Estonia (Grigas A., 5:2012). In addition to stopping exports to Estonia, it is believed that Moscow has organized and supported many riots and cyber attacks against Estonian websites in the coming weeks (Ashmore W., 11:2009). However, after many months of negotiations between the Estonian and Russian leaders, oil exports returned to pre-crisis levels (Grigas A., 5:2012). With regard to oil, the Russian government built the Baltic Sea Pipeline System (BPS), which was completed in 2001, for Western Europe, bypassing the

Baltic States. BPS has given Russia a significant advantage, allowing Russia to reduce its oil supply to the Baltic States without threatening Western Europe's supply (Pirog R., 93:2007).

However, oil sanctions have not threatened the Baltic economies. Unlike oil sanctions, Russia's gas sanctions were much more effective. While Estonia was able to use shale oil as a substitute for conventional crude oil, as well as the capacity of all three Baltic countries to import oil from other sources, all three countries did not have a sustainable gas source. In contrast, their gas import infrastructure is limited to Soviet-era pipelines and wholly dependent on Russia. Second, unlike in the oil relationship, Russia does not depend on the Baltics for gas transit to foreign markets, leaving the three states effectively as 'gas islands'. As a result, Russia could cut off gas supplies to them without interrupting supplies to other European countries. (Grigas A., 6:2012). According to Grigas Agnia, there are four reasons why Russia has not stopped gas transportation to these countries:

1. Several Russian companies hold a stake in the three largest gas companies in Estonia, Latvia and Lithuania (Eesti Gaas, Latvijas Gaze and Lietuvos Dujos¹¹) (Ehrstedt S. and Vahtra P., 11:2008) (Pakalkaitė V., 16:2016).

2. Moscow has created a powerful network of local gas interests with ties to Gazprom, which serve as a tool for many of Russia's soft means of influence

3. the Baltic states' gas markets are profitable for Gazprom because they pay market prices and do not receive any discounts (unlike Ukraine and Belarus).

4. Russia is at least somewhat dependent on Latvia and Lithuania because the pipeline feeding Lithuanian territory continues onwards to the Russian exclave of Kaliningrad, and because Gazprom largely owns the Latvian gas storage facility in Incukalns, which holds supplies not only for the three Baltic states but also for the Russian Pskov region (Grigas A., 6:2012).

In addition, Russia has sought to influence the Baltic countries in their support, in the EU's Third European Energy Package, which calls for the separation of transport and distribution systems. If implemented, it will protect the interests of the Baltic by increasing competition in the sector. The Russian response resisted a provision in the law that allows each country to adopt its own unbundling package (Grigas A., 7:2012). For example, Lithuania has adopted the Third Liberalisation Package, a policy that can significantly reduce Russia's influence on the gas sector. Lithuania's decision to introduce the EU directive will result in practice in a limitation on Gazprom's influence on the Lithuanian energy sector. The new regulations can significantly change the situation for Lietuvos dujos, the gas monopoly in Lithuania owned in large part by Gazprom (it holds 37.1% of the shares, while Germany's E. ON. holds 38.9% of the company and the Lithuanian government has 17.7%)(Dudzinska K., 5:2012).

In response, Russia threatened Lithuania with rising gas prices. Yet all Moscow's attempts failed and in May 2012 Gazprom and the Lithuanian government came to an agreement regarding the unbundling, which is due by November 2014. When implemented, it is likely to reduce Russian influence in the gas sector and over time could challenge existing vested gas interests (Grigas A., 7:2012). Through Russian pipeline networks and local enterprise loyal to Moscow, Russian soft power has influenced its ability to make a decision truly reflecting its national interests. For example, people within the Latvian government believe that Latvijas Gaze together with the national electricity producer, Latveņergo, played an important role in the energy policy and the government's position on the European Energy Package in the EU (Grigas A., 7: 2012). As a reward for policy-making in line with their expectations, Gazprom has lowered the gas price to Estonia and Latvia in response to their support for the least stringent unbundling package (Grigas A., 7:2012). However, since the early 2000s, Moscow has been planning to build a gas pipeline from Russia to Germany (known as Nord Stream) which will completely bypass the Baltic States (Sorbelli P., 2012). The construction of a second pipeline away from Kaliningrad's main pipeline will allow Russia to stop gas exports to Lithuania without consequences. Seeking

¹¹From 2011, Gazprom owns 34% of Lietuvos Dujos. Source: Pakalkaitė V., 2: 2016. *The Oxford Institute for Energy Studies*.

solutions, such as the construction of the Nord Stream pipeline, obviously provides an advantage for Russia (Boguszewski L., 2: 2014). However, the cost is high and is the subject of the dispute with Finland and Sweden, as well as the issue of cooling bilateral relations between Germany and the USA (Boguszewski L., 2:2014).

3. Russia's energy relations with the Caucasus States

The South Caucasus is often depicted as the main doorway to the energy-rich Caspian region in the energy security narratives of the European Union (EU) and of other Western actors in the region. The EU's energy security strategy considers Caspian hydrocarbons as a means to diversify its energy supplies and reduce its dependency on Russia in particular, and the South Caucasus as a strategic transit route connecting Caspian energy resources with European markets (Alieva L. and Shapovalova N., 5:2015).

3.1 Importance of the Caucasus in the field of energy

Stability in the Caucasus is a vital requirement for the uninterrupted transport of Caspian oil and gas. Although the Caucasian share of global oil and gas (the Caspian Sea region, the South Caucasus and Central Asia contains about 3-4 percent of the world's oil and 4-6 percent of the world's gas reserves) given the uncertainty over the reliability of Persian Gulf supplies, as well as the possibility that Russia may use energy delivery as a power tool, the transport of Caspian and Central Asian (Kazakhstan and Turkmenistan) energy supplies to the West via the Caucasus has gained vital importance. This makes the South Caucasus a vital area for geo-strategy and energy security (De Haas M., Tibold A., Cillessen V., 12:2006).

3.2 Russian foreign Policy in the south Caucasus under Putin

One of Prime Minister Putin's first actions since the beginning of his presidency in 2000 was the revision and reformulation of the concepts of national security and foreign policy as well as the military doctrine of the Russian Federation dating back to the Yeltsin era (Isajiw C., (Chapter 3), 2016). The Russian government showed a significantly renewed interest in the South Caucasus under Putin's presidency. Appraising the expansion of NATO to the east, which runs counter to the national interests of the Russian Federation (Kelkitli F. A., 74:2008). One of Russia's actions to capture all sorts of political, economic and moral support for Chechen fighters from the South Caucasus states was the interruption of gas supply in the middle of winter. Russia has been trying to maintain its position as the main provider of energy supply in the countries of the South Caucasus since the early years of President's presidency (Kelkitli F. A., 74:2008).

3.3 Russia's reply to re-routing of energy supplies in the Caucasus

The trend to minimize Russian influence on energy flows, as exemplified in the BTC (Baku–Tbilisi–Ceyhan) and the Chinese-Kazakh pipelines, seems to be successful. Of course, Moscow cannot be expected to remain passive to such attempts intended to bypass Russia. The BTC runs close to the two secessionist Georgian enclaves of Abkhazia and South Ossetia, whose leaders are aligned to Russia and on which territory Russian peacekeepers are deployed. In January 2006 explosions damaged pipelines to Georgia on Russian soil. Some sources blamed Russia's security service, the FSB, for this disruption. They believed it to be a show-offorce to warn Georgia against its efforts for Western integration and for reducing its dependence on Russian gas by securing alternative supplies from Azerbaijan, Turkey and Iran (De Haas M., Tibold A., Cillessen V., 15:2006). Attacks or sabotage on the BTC from the secessionist enclaves could possibly have been an option for Russia to act against this undesirable development. Furthermore, Russia still has leverage on Kazakhstan, because all Kazakh gas export leads to Russia, but also because of the considerable Russian minority in Kazakhstan, which makes Kazakhstan hesitant to follow an anti-Russian political course. However, affecting the BTC and

the Chinese-Kazakh pipelines would also have negative consequences for Russia's relations with China and the West and has encouraged Georgia to enhance its efforts to gain alternative energy supplies (De Haas M., Tibold A., Cillessen V., 15:2006). In November 2005, Another option to counter the attempts to decrease Russian influence on energy flows, was announced by President Putin. In a statement, he formulated his plans to expand a pipeline, which Gazprom was building across the Black Sea to Turkey so as to provide extra supplies to southern Europe (De Haas M., Tibold A., Cillessen V., 15:2006), (Gorst I., 2006).

3.4 Russia's energy relations with Georgia and the energy security in Georgia

When looking at Georgian energy security, the question could be raised whether «*the country has put its stakes too high*». Explosions in Russia's North Caucasus region, which cut off Georgian energy supplies in January 2006, clearly demonstrated the country's dependence on Russian energy supplies (De Haas M., Tibold A., Cillessen V., 18:2006), (Volten P., Tashev B., 50:2007). In addition to energy dependence, Russia was Georgia's largest trading partner in 2005 (Fuller L., 2006). However, the re-routing of energy supplies from Azerbaijan, Iran and Turkey, makes it clear that Georgia is trying to reduce future energy dependency from Russia. Moreover, Georgia has recently become a main energy transport corridor for Europe because of the BTC oil-pipeline and the BTE (Baku–Tbilisi–Erzurum) gas-pipeline. Thus, the transit fees for energy transports paid to Georgia are a potentially substantial asset to the nation's economy (De Haas M., Tibold A., Cillessen V., 19:2006).

3.5 Russia's energy relations with Armenia

Armenia is Russia's only loyal ally in the South Caucasus. By announcing the year 2006 as 'the year of Russia', Armenia has demonstrated that it attaches great value to its relationship with Moscow. Nevertheless relations have suffered some pressure as of late when Russia's natural gas producing firm Gazprom announced prices would be raised (De Haas M., Tibold A., Cillessen V., 26:2006). This has led to severe criticism from the side of the opposition in Armenia. As the country is totally dependent on energy from Russia, there have been calls for investigating alternative energy sources to minimise dependency from Russian gas (Gurbanov I. 2016). In light of growing energy prices, Armenia is still receiving gas at a relatively low price. However, in return, Russia almost completely controls Armenia's gas supply network and is also supervising the construction of gas pipelines connecting Armenia to the gas reserves of Iran (De Haas M., Tibold A., Cillessen V., 26:2006).

3.6 Russia's energy relations with Azerbaijan

After the disintegration of the Soviet Union, Azerbaijan was rediscovered by the West as an oil and gas rich country. As it traditionally belonged to the Russian sphere of influence, Russia was not easily prepared to give up on Azerbaijan (De Haas M., Tibold A., Cillessen V., 29-30:2006). Russia is eager to transport Azeri oil through pipelines on Russian soil (Aliyev B., 2016). Conversely, Azerbaijan follows a pro-Western course, independent from Russia, as is demonstrated by its membership of GUAM² (Georgia, Ukraine, Azerbaijan and Moldova). Relations with Russia are also tense because of differing views on the legal status of the Caspian Sea from which the oil is exploited. When late President Haydar Aliyev was nearing his death, the West, especially the US, was interested in Haydar's son, Ilham Aliyev, to replace him (De Haas M., Tibold A., Cillessen V., 30:2006). Ilham Aliyev had close ties with the Azerbaijan oil industry. In May 1994 he was appointed vice president of the State Oil Company of Azerbaijan (SOCAR) by his father (Wilson H. G., 239:2013). At the same time Russia and Iran tried to impose

²The Organization for Democracy and Economic Development - GUAM is an international regional organization that was founded on 10 October 1997 by the Republic of Azerbaijan, Georgia, the Republic of Moldova and Ukraine and created on 23 May 2006. Source: Ministry of Foreign Affairs of Ukraine (<http://mfa.gov.ua/en/about-ukraine/international-organizations/quam>)

their own choice of candidates. Eventually Ilham Aliyev became his father's successor after disputed elections (Case D., 2004). However, despite different views on alignment, Russian–Azeri relations remain stable. Furthermore, the BTC – BTE pipelines have not completely excluded Russia from the South Caucasus. The Baku–Novorossiysk oil pipeline is still functioning and Russian oil companies, like Lukoil, are considering using the BTC as a possible export route for Russian oil (Coyle J., 2010).

3.7 Is Russia a New Threat for Azerbaijan?

Whereas Russian authorities have recently reoriented Russian gas export routes toward Asian markets, they have also been looking for alternative routes and locations for exports in the Caspian region. In May 2014, for example, the Russian oil company Lukoil decided to ship part of its oil production from the Russian shore of the Caspian Sea to the pipeline terminal of the BTC pipeline for further transportation to the European markets. (Kusznir J., 7:2015). A month later, the Russian state oil company Rosneft and SOCAR held talks on expanding energy cooperation. Both sides agreed, among other things, to employ together the existing pipeline infrastructure. This includes the use of the BTC pipeline to transport Rosneft's crude exports (Kusznir J., 8:2015). Remarkably, the deals with Rosneft and Lukoil were reached at a time when the EU and the US had imposed sanctions against Russian companies. It seems that the deals will ensure profits for both sides. For Russia, the BTC pipeline is an alternative route for its crude exports to Europe that is not affected by the EU sanctions (Daly J., 2014).

For Azerbaijan, the deals with Russian companies guarantee the crude needed to fill the half-empty BTC pipeline. They will also secure transit fees from Russian oil and additional investment for the exploration of the new gas fields (Kusznir J., 8:2015). The Russian South Stream gas pipeline project, connecting Russia with Bulgaria beneath the Black Sea, was also facing significant obstacles in the aftermath of the Russian annexation of Crimea: the EU and US sanctions blocked the necessary financing and construction work on EU territory (Todorova S., 2014). After long unsuccessful consultations, Russian officials decided to freeze the South Stream project and redirect the pipeline toward Turkey. On 1 December 2014, the Russian state gas company Gazprom and Turkey's Botas signed a memorandum to build an underwater pipeline with a capacity of 63 bcm and create an additional gas hub on the Turkish border with Greece for gas deliveries to South European markets (Korsunskaya D., 2014). Given the growing gas demand in Turkey and Turkey's ambitions to become an energy hub by 2023, the deals are very valuable because they guarantee more gas (Russia would supply Turkey with additional 14 bcm) for a lower price—Turkey would get a 6 percent discount for Russian gas from 2015 and would profit from selling Russian gas (Durdin T., 2014).

The Russian–Georgian war in 2008 and the current conflict between Russia and Ukraine have clearly demonstrated that Russia is ready to use its hard and soft power mechanisms at any time. This could be a significant threat to the Southern Corridor's gas supplies in the future. No less important is the fact that Azeri gas will be delivered to the West Balkan countries, including Bosnia and Herzegovina and Montenegro, where Russia has been constantly expanding its political and economic influence (Spasovska V., 2014). In particular, Gazprom has been a major gas supplier to the region for decades (Michaletos I., 2015). In addition, it owns a large-scale network of petrol stations and holds shares in the local retail fuel markets there. There should be no doubts that Russia, if the political situation does develop in its favour, will try to exert its influence through its grip on the energy sector there as well (Kusznir J., 8: 2015).

3.8 Armenia versus Azerbaijan: the frozen conflict of Nagorno-Karabakh – Russia's role on the conflict and the energy security it wants to impose

In the mid-1990s, Russia proposed the deployment of Russian peacekeepers in the Nagorno-Karabakh conflict zone. The US insisted that troops should be from different states within the framework of the OSCE (Organization for Security and Cooperation in Europe) (Carley P., 1998). It seems that the Russians are mainly interested in maintaining the status quo of the

conflict. The reason for this is that Azerbaijan (unlike Georgia and Armenia) does not depend on Russia for its energy supply. For Russia, the Nagorno-Karabakh conflict is the last remaining instrument to put pressure on Azerbaijan (Bugajski J., 49: 2010). Furthermore, Russia has demonstrated its preference for a status-quo of the Nagorno-Karabakh conflict, thereby preventing the BTC oil pipeline from running through Armenia. Russia wished to keep its monopoly on the export of Caspian crude oil to the West through the already existing Baku – Novorossiysk pipeline from Azerbaijan to Russia. The initial route of the intended pipeline east-west – rerouting energy supplies from Russia – was across Armenia’s territory. But Armenia was not willing to support any project that would bring benefit to Azerbaijan.⁸⁵ Although Russia regularly states that it wishes for the Nagorno-Karabakh conflict to be solved, it is clearly more interested in maintaining the status-quo, similar to the disputed areas of South-Ossetia and Abkhazia in Georgia (De Haas M., Tibold A., Cillessen V., 34:2006).

4. Russia’s energy relations with the Balkan States

Russia is, by far, the dominant oil and gas supplier in the Balkans, where all countries remain heavily dependent on imports to meet demand. In addition, Russian companies play a large and growing role in the region’s downstream energy markets as owners of assets, partners in joint ventures, and developers of new infrastructure. These investments are designed to reduce competition and create local networks of financial interest that reinforce Russia’s dominant position. Private and state-owned Russian companies now enjoy a significant stake in the energy sectors of several Balkan countries and have probably benefited more than anyone else from the wave of post-communist privatisations (Clark D., and Dr. Foxall A., 7:2014). The two main pillars of Gazprom’s strategy in the Balkans are the construction of the South Stream gas pipeline and its ownership of the Serbian energy giant, Naftna Industrija Srbije (NIS). South Stream is projected to supply the EU with 15% of its gas needs, via a pipeline under the Black Sea, by 2018 (Clark D., and Dr. Foxall A., 7:2014).

The overground sections of the pipeline will run from Bulgaria to Austria, through Serbia, Hungary and Slovenia, with spurs supplying Croatia and Republika Srpska along the way. The possibility of using South Stream to supply Montenegro and FYROM has also been floated by Russia (b92.net/12/07/2013). When NIS was privatised in 2008, Gazprom acquired a majority stake in the company, without a tender, for a fee thought to be as little as a fifth of its market valuation (Filipovic G., 2007). In addition to a monopoly of oil and gas production in Serbia, NIS operates two oil refineries, one gas refinery, a major distribution network of terminals and depots, and 388 petrol stations located in Serbia, Bulgaria, Romania and Bosnia-Herzegovina – it has a 78% share of the Serbian market in oil products. Signing the deal, Putin said: «*Our close political relations were today converted into economic results*». The terms of the agreement also included Russian promises to invest in new infrastructure in Serbia, including extra gas-storage capacity and the Serbian segment of South Stream (Shchedrov O., 2008).

Russia’s energy relations with Bulgaria are also extensive. On 27 May 2014, a €3.5bn tender to build the Bulgarian section of South Stream was awarded to a consortium comprised of the Russian company, Stroytransgaz, and its Bulgarian partner, Gasproekt Jug, for the construction of the Bulgarian section of South Stream (Gazprom News/27/05/2014). Private Russian companies favoured by the Kremlin also have a big presence in Bulgaria. Kirsan Ilyumzhinov, a Russian oligarch close to Putin, acquired a majority stake in Bulgaria’s largest fuel distributor, Petrol Holding, in 2012 (Novinite-News/19/06/2012). Lukoil – a private oil company run by another loyal oligarch, Vagit Alekperov – owns Bulgarian assets including the Burgas oil refinery (the largest in the Balkans) and a major oil-storage depot, giving it a 74% overall share of the Bulgarian wholesale market in oil products (Clark D. and Dr Foxall A., 8:2014), (lukoil.bg/2016).

Lukoil also owns the privatised Serbian oil distributor, Beopetrol, (lukoil/new/history/2016), along with hundreds of filling stations across Bulgaria, Serbia, Montenegro, FYROM and Croatia (lukoil.com/static_6_5id_2260_.html). In Bosnia-Herzegovina, the Russian state-owned oil company, Zarubezhneft, again without a tender, has achieved a strategically significant presence in the oil sector through its presence in Republika Srpska, the Bosnian-Serb entity. It acquired the Rafinerija Nafta Brod oil refinery and the Modriča motor oil plant when they were privatised in 2007. These are the only two such facilities in Bosnia, both located in Republika Srpska. Zarubezhneft also acquired the local retailer, Nestro Petrol, which now has a chain of 82 petrol stations and a 35% share of sales (Clark D. and Dr. Foxall A., 8:2014). Energy ties are also growing stronger with Croatia. In May 2011, Zarubezhneft and Jadranski naftovod (JANAF), the Croatian state-owned pipeline operator, signed a Memorandum of Understanding on co-operation in the oil and gas sectors (janaf.hr/20/05/2011). Zarubezhneft hoped to secure new oil- and gas-exploration contracts and has been lobbying for the construction of a new pipeline linking Omišalj port with its refinery in Republika Srpska and Gazprom's refineries in Serbia (Socor V., 2012).

Gazprom has offered to build a number of gas-fired power stations under joint ownership. Perhaps most significantly of all, Gazprom and the Russian state oil company, Rosneft, are both known to be interested in acquiring the Croatian national energy company, Industrija nafte (INA), currently the subject of a dispute between its joint owners: the Croatian government and the Hungarian company, Magyar Olaj (MOL) (Šimatović M., 2007). Rosneft and the Croatian Minister of Economy, Ivan Vrdoljak, signed a joint statement of interest to invest in June 2013. The agreement established a working party to explore potential Russian investment in areas such as oil transportation and storage infrastructure (seenews/21/06/2013). Although Athens and Moscow talk regularly about increasing direct Russian involvement in the Greek energy sector, tentative plans to make that a reality have not yet come to fruition. The Greek government was keen to sell its state-owned gas company, DEPA, to Gazprom, in 2013; but the deal ultimately foundered over concerns about the state of the Greek economy and the impact of new EU competition rules. As the dominant gas supplier to Greece, Russia is able to vary its prices in exchange for political influence. In February 2014, Putin cut gas prices for Greece by 15% – in line with improving diplomatic relations – following a request from the Greek Prime Minister. (Stamouli N., 2014). The two governments have also been discussing the revival of two mothballed pipeline projects. The first is the extension of South Stream to Greece, which Athens still wants; the second is the Burgas-Alexandroupoli oil pipeline that would allow Russia to overcome supply limitations imposed by the Straits. This project was cancelled by the previous centre-right government in Bulgaria, but is once again under active consideration (Clark D. and Dr. Foxall A., 9:2014).

5. Russia's energy relations with the EU and the Ukraine.

Of the current Russian gas imports, 86 per cent is consumed by the original 15 EU members (of which 47 per cent falls on Germany and Italy), and this amount only accounts for 20 per cent of the EU-15 primary gas supply. In Europe's primary energy consumption, gas imports from Russia compose 6.5 per cent (that has not changed for the last 20 years). In the oil sector, Russian supplies cover some 24 per cent of the EU's consumption and amount to 33 per cent of the EU's imports (Shadrina E., 84:2010). A number of factors, such as ongoing structural transformation in the gas market (with the sequels being lower price, shorter terms of supply contracts, etc.), the EU's policy of diversification of both energy sources and sources of supply, etc., not only endanger future Russian supplies, but - given that energy flows create a chain of effects - affect Russia's trade, investment, technology exchange and far beyond. In the recent past, the Russia-EU energy relations were affected by a range of discourses. Such were, for instance, the EU's enlargements of 2004 and 2007, Russia- Belarus dispute in early 2006, Russia-Ukraine especially acute controversies of 2007 and 2009, Russia-Georgia war in August 2008,

etc. These events deepened the divergences in the partners' views, expectations and ambitions (Shadrina E., 84:2010).

5.1. Russia's Gas Relations with the EU

Although, the economic crisis and structural shifts in the gas market itself (boom in the North American non-conventional gas production, expansion of spot market, etc.) have resulted in a smaller demand for Russian gas, the country remains Europe's major gas supplier; (Shadrina E., 91:2010). Importantly, a major supplier whose 80 per cent exports' transit is controlled by Ukraine (Nesterov A., 2009). The 2009 Russia-Ukraine dispute over the gas payments resulted in cuts in supplies to Europe and again stirred up debates about Russia's reliability as a major supplier triggering further shifts in the EU external energy policy (Tekin A., Williams P., 1:2009). In 2009, the Eastern Partnership Energy Security Platform was established to become an additional means to conduct a robust external energy policy, to which the neighbourhood and enlargement policies are the essential elements. The EU develops the Eastern partnership (with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and Energy Community Dialogue with the producers (EU-Russia, EU-OPEC, EU-Norway, and EU-Africa) as well as Dialogue with transit/consuming countries (Ukraine, Belarus and Turkey). New initiatives include establishing partnerships with Azerbaijan, Kazakhstan, Turkmenistan, Africa, and Iraq, as well as the development of legal frameworks for supply routes, such as Nabucco IGA and Corridor Agreements (Shadrina E., 91:2010).

Apparently, Gazprom faces the increasing challenges in retaining the lucrative European market (Shadrina E., 92:2010). The current transformation of the international gas trade shapes an environment with which Gazprom's business practice is incompatible (Economist/14/07/2012). Gazprom's contracts, for instance, are usually of 20-30 years duration with a "take-or-pay" clause. Also, Gazprom's gas price is traditionally pegged to the oil price (gazprom.com/marketing/europe/11/10/2016). Amidst the economic recession, such commercial terms have additionally decreased the attractiveness of Russian supplies for the European customers (Shadrina E., 92:2010). However, with non-conventional gas glutting the market, Gazprom has clearly realised that hard-line tactic may irreversibly undermine prospects for future business in Europe. Thus, controversial arrangements in gas contacts were renegotiated with major European partners (E.ON, Eni, PGNiG, etc.) envisaging a correlation with the spot market price level. These compromising settlements have revealed that Gazprom is by far not omnipotent: having no plausible alternative to the European gas market, Gazprom had to adjust its contractual practice to the realities of the gas market (Shadrina E., 92:2010).

5.2. Russia's pipes bypassing Ukraine

According to Professor in International Business (specialisation Russia), Director of the Pan-European Institute at the University of Turku, Finland, and Director of Finland's Baltic Sea region think tank called Centrum Balticum, Liuhto Kari: «*Nord Stream and South Stream will be more significant game changers than the new gas pipe from Turkmenistan to China*» (Liuhto K., 14:2010). Together Nord Stream and South Stream may carry 50-75% of Russia's natural gas flows to the EU, depending on the volumes of the EU's future gas imports from Russia and the final capacity of Nord Stream (max. 55 bcm) and South Stream (max. 63 bcm). The maximal capacity of these two pipes could go as high as 118 bcm. Liuhto Kari also mentions that: «*When analysing the impact of Nord Stream and South Stream, one should first note that the total pipeline capacity added by Nord Stream and South Stream will be much larger than Russian gas export volumes to the West, allowing Russia to choose the preferable routing. Second, it is good to remember that currently 80% of gas flowing to the West goes via Ukraine. Russia is not interested in distributing gas via Ukraine if it does not gain at least partial control of the pipe*» (Liuhto K., 14:2010).

Since the crisis in Ukraine, many EU member states—not just Italy—have pointed out the political incoherence of building a new pipeline that clearly benefits Russia's energy sector at

a time when Russia is subject to EU and other international sanctions after the annexation of Crimea. The EU has also expressed economic as well as political support for Ukraine given that the proximate cause of the crisis and ensuing war in Donbas was Ukrainian and EU efforts in 2013 to conclude an association agreement and a *Deep and Comprehensive Trade Agreement* (DCFTA). The construction of Nord Stream 2 would create a permanent alternative gas export route from Russia to Europe that would eclipse the existing pipeline network across Ukraine (De Maio G., 3:2016). As a result, Kiev would lose over \$2 billion annually in transit revenues (Interfax-Ukraine/10/09/2015). After the construction of Nord Stream 1, Poland had a similar experience in 2014 (Strzelecki M. and Martewicz M., 2014). Ukraine would likely find itself cut off from Russian gas supplies for its own domestic consumption. Even if destination clauses that prevent the buyer from reselling the natural gas were dropped, Gazprom would not export enough gas to allow European countries like Germany to resell excess domestic supply to Ukraine (De Maio G., 4:2016). Since 2006, Ukrainian-Russian disputes over gas prices have been the source of major gas supply disruptions in Europe. Prior to the construction of Nord Stream 1, most of Russian gas to Europe had been exported through Cold War-era pipeline networks across Ukraine and Poland. Ukraine used the same pipelines both for domestic gas distribution and for gas transit to Europe (De Maio G., 4:2016). Consequently, when Russia cut gas supplies to Ukraine in 2006, 2009, and 2014, it cut off supplies for Europe as well. For this reason, Russia has long tried to find alternative ways to reach the EU energy market—with the goal of completely cutting off Ukraine in 2019, when its current gas purchase contract with Gazprom expires (De Maio G., 4:2016). In December 2014, Gazprom’s CEO, Alexey Miller, stated unequivocally that: *«the role of Ukraine as a transit country for Russian gas will be reduced to zero»* (Beckman K., 2014).

Gazprom’s efforts in respect of South Stream, Turkish Stream and Nord Stream 2 suggest that the company has remained fully committed to its transit diversification policy. However, while the 2014 Ukraine political and military crisis has strengthened Gazprom’s commitment, it also created new political barriers to the construction of new Russian gas pipelines – in addition to regulatory barriers posed by the EU TEP – thus making implementation of transit diversification policy significantly more difficult. Furthermore, a sharp drop in oil and gas prices (more than 50% since the second half of 2014), and sanctions imposed by the EU (and the US) on Russia in response to its annexation of Crimea and policy on eastern Ukraine, have created additional commercial barriers, limiting Gazprom’s ability to finance new projects, and the profitability of such projects for investors (Pirani S. and Yafimava K., 15:2016). Nonetheless, the policy of gas transit, may not be too bleak for Russia. EU sanctions in response to Russia’s actions in the east of Ukraine and Crimea, introduced on 31 July 2014 and prolonged until 31 January 2017, could be more difficult to renew in future, as evidenced by the Italian prime minister preventing the European Council from publishing a call for sanctions against Russia on 20-21 October 2016. The recent election of Donald Trump in the US also gives rise to uncertainty for Ukraine going forward (Thierry B., 2:2016).

6. Russia’s energy relations with the Northeast Asia³ (PRC, Japan, Korean Peninsula)

The geographical priority of Russia’s energy policy in North East Asia has initially been set on China solely (Angarsk – Daqin oil pipeline), but a suddenly waked up Japan changed this scenario. It is now admitted that it was Japan who through the pledges to allocate sizable amounts of investment in energy and transport, as well as in social infrastructure in East Siberia

³ When addressing the energy relations between Russia and northeastern Asia, it should be made clear that North-East Asia includes the People’s Republic of China (PRC), Japan, the Democratic Republic of Korea, the Republic of Korea, Mongolia and the Russian Federation. In the current work, Russia’s energy relations with three Northeast Asian countries, namely China, Japan and South Korea, will be analyzed.

and the Far East managed to convince the Russian government not to play the ‘Chinese card’ only, but to make a decision opening perspectives for engaging with the broader Asia Pacific Rim. Apparently, shifts in Japan’s and later on, Korea’s energy imports policies envisaging the involvement of Russian resources, played towards Russia’s decision to set about the development of the resource base in the Russian East (Shadrina E., 121:2010).

A policy emphasis on the expansion of energy cooperation with Asian countries, named ‘Asian vector’, was proclaimed in 2003 in the Energy Strategy until 2020. It was initiated in order to reduce Russia’s over-dependence on the European market, minimize risks associated with transit through the territories of third countries, and, not the least, enhance the economic development of Russia’s eastern regions (Gvosdev N., 2016). The Russian government considered penetration into the energy markets of the Asia- Pacific countries- particularly to the energy markets of Japan, China, and Korea as a «*unique opportunity not only to boost up the economy of East Siberia and the Far East*», but also «*as the key tool for positioning Russia in the strategically important region*» (Bordachev T. and Kanaev Y., 2014). To meet these ambitious goals in the East, the government has approved a range of sector- and region-specific strategic initiatives, among such are: the Program on refining industry development in the East of Russia to 2015; the Program on long term development of energy sector in Eastern Siberia and Far East to 2020; the Development Program for the Integrated Gas Production, Transportation and Supply System with due regard of possible exports to China and Asia-Pacific markets (the Eastern Gas Program) the Federal Program on Economic and Social Development of the Far East and Trans Baikal Region until 2013 and Strategy for Economic and Social Development of the Far East, Buryatia Republic, Irkutskaya Oblast and Chitinskaya Oblast until 2025 (Shadrina E., 121-122:2010).

6.1. Russia’s energy relations with PRC

«*Potential development of energy linkages between Russia and China provides a critical economic basis to the relationship which would otherwise be absent*» (Andrews- Speed P., Liao X., Dannreuther R., 83:2002). With regard to a more distant implications of the currently unfolding energy partnership, the views are polarising from a notion that «*Russia-China relations based on energy cooperation could develop into something like an axis*» (Wesley M., 22:2007) to the observation that despite for China «*energy is another major dividend of partnership with Russia*» and «*polarized understandings of energy security translate into an imperfect complementarity*» (Lo B., 47,134: 2009). An enormous potential for Russo-Chinese energy cooperation have eventually started actualising in the two countries’ oil and gas deals (Legault A., 265:2008), (Shadrina E., 139:2010). This cooperation is important and attractive for both countries. For Russia the shift east has a number of strategic components, based both on economic and political logic. Primarily, Russia’s traditional markets in Europe and the West are now mature and growth prospects are limited. When the current state of political relations between Russia, the EU and the US, which have deteriorated dramatically since the annexation of Crimea in 2014, are layered onto this commercial logic the imperative for Russia to diversify its export market is clear. European countries are seeking to diversify away from Russian imports for security of supply reasons, while overall energy demand is declining due to increased efficiency and economic stagnation (Henderson J. and Mitrova T., 5:2016).

In the oil sector, Russia exports oil to China by railway in the Far East and through Atasu-Alashankou (Kazakhstan). (Legault A., 265:2008),(Shadrina E., 139:2010). A major milestone of Sino-Russia energy relations was the \$6 bn loan from the CNPC (=China National Petroleum Corporation) to Rosneft in early 2005. The deal envisaged that the loan is to be paid off by Rosneft’s oil supplies of 48.4 mn t throughout the year of 2010 (Hardy A., 2005). This financial resource made it possible for Rosneft to purchase Yuganskneftegaz (subsidiary of the former Yukos) at a state-run auction. 2005–2006 saw a series of deals between Rosneft and CNPC. An established Vostok Energy joint venture for upstream projects in East Siberia with Russian and Chinese stakes as of 51 per cent, and 49 per cent, respectively, is one of the examples (Shadrina

E., 140:2010), (McGregor A., 9:2007). Also, CNPC developed ties with Transneft [in particular, within the ESPO (=Eastern Siberia–Pacific Ocean oil pipeline) project] and Gazprom (Shadrina E., 140:2010). A breakthrough in Russian-Chinese oil cooperation has eventually happened in October 2008 when an agreement on Chinese leg of the ESPO was reached and construction works significantly facilitated. In 2009, Rosneft received a \$15 bn loan against contractual obligations to supply China with 15 mn t annually over a 20 year period (Paxton R. and Soldatkin V., 2009).

In the gas field, prospects for bilateral ties were mainly – but not exclusively – linked to the development of the massive Kovyktinskoe gas and condensate deposit in Irkutskaya oblast. In 2006, Russia and China signed a pipeline deal to send up to 80 bln cm/ y of Siberian gas to China. The China-oriented pipeline was planned to deliver gas from Kovykta field, the license on which was initially owned by TNK-BP. In 2007, TNK-BP agreed to sell the license to Gazprom, but the crisis and consequent shrunk demand made the project less attractive (Shadrina E., 141:2010). Gazprom announced in June 2009 that the development of the Kovykta field should be postponed until 2017. Belton C. (2009) Despite the agreement signed in 2006 on gas supplies from the Kovyktinskoe deposit in China, further Negotiations collapsed, again with price terms (Shadrina E. 142: 2010). That is why the negotiations between Gazprom and CNPC resumed in September 2009 came as a somewhat unexpected development (Gazprom/29/09/2009). It was specifically noted that a successful implementation of the Eastern Gas Program, to which Gazprom is a coordinator, favours bilateral cooperation in the gas field. In October 2009, a framework agreement on gas supplies from Russia of total 68 bn cm annually starting from 2014-2015 was signed between Gazprom and CNPC (Shadrina E., 142:2010).

In December 2009, Gazprom export (Gazprom’s subsidiary) and PetroChina International (CNPC’s subsidiary) signed the Agreement on Major Terms and Conditions of Gas Supplies from Russia to China (gazprom.com/28/12/2009). Russian energy companies are looking for opportunities to broaden their economic base, nowhere else than China. Energy-intensive China willingly signs loan agreements with Russian energy companies against guaranteed energy supplies. The Chinese market is very attractive to Russia because the country has set itself to increase imports of liquefied natural gas (LNG) (Astrasheuskaya N. and Wells W., 2015). Summing up the Russian-Chinese cooperation in the energy sector, it is worth mentioning that it includes financial and especially credit mechanisms. In addition, with the global crisis, Russia often demands to move away from the US dollar for its future trade. As China and Russia rank respectively first and sixth in terms of the largest foreign exchange reserves in the world, a wider use of national currencies in the bilateral trade of the two countries, which amounted to \$ 64.25 billion in 2015 (gbtimes/13/01/2016) is a possibility that both China and Russia should seriously consider the possibility.

6.2. Russia’s energy relations with Japan

Despite the fact that Russo (Soviet)-Japanese energy cooperation dates well back to the outset of the 20th century with certain positive records throughout the 1970s, it has long been affected by a lack of mutual trust (Ferguson I., 1:1998). Aiming at conducting an equitable analysis, it is important to bear in mind that Japan’s contemporary perception of Russian energy policy is diverse and can perhaps be best explained as informed by the interaction of opinions at two layers: official circles and business community (Shadrina E., 148:2010). Diplomatic relations between Russia and Japan are still affected by the territorial difference (the Kourili Islands). Although Japan has decided to divide politics and the economy, or in other words, to follow an analysis of the territorial issue separately within an appropriate framework and through the appropriate tools, without leaving this bilateral problem to hamper other areas (Lindgren W. Y, 4:2015). On the other hand, the METI’s White Paper on Energy⁴ (2007) underscored the

⁴ METI = Ministry of Economy, Trade and Industry. Source: http://www.meti.go.jp/english/report/index_whitepaper.html.

significance of energy cooperation with Russia. That is to say, three out of six energy projects listed in the document as of the highest importance to Japan's energy security relate to Russia: Sakhalin I and II (where Japanese companies are active participants since long ago), and the ESPO project (a project of more recent Japan's interest). The stakes of Japanese companies in the Russian Sakhalin I and II projects are 30 per cent and 22.5 per cent, respectively (Shadrina E., 148:2010).

Since the Sakhalin II plant launch in 2009, Russian LNG covers about 7 per cent of Japan's LNG imports. As it is known, domestically Japan has no developed pipeline infrastructure, and given its geographical location, gas imports only take place in the LNG form. Nonetheless, various ideas with regard to possible forms of cooperation in gas sector are under consideration (Shadrina E., 150:2010). In May 2009, Gazprom and Agency for Natural Resources and Energy of Ministry for Economy, Trade and Industry, Itochu Corp., and Japex signed a MoU envisaging a joint project on transportation, refining, marketing, and exporting to the APR gas of the Sakhalin-Khabarovsk-Vladivostok pipeline (Gazprom/01/06/2009). Both sides expressed their adherence to the Initiative for the Strengthening Japan-Russia cooperation in the Far East Russia and Eastern Siberia (the Eastern Initiative) in particular, in the ESPO project (Shadrina E., 151:2010). The establishment of a Russian-Japanese joint venture between JOGMEC and Irkutsk Oil Company in April 2008 became a step towards the practical implementation of the Eastern Initiative. INK-Sever JV was founded with the parties' 49 per cent and 51 per cent stakes, respectively (Jogmec/22/10/2016). In May 2008, JOGMEC announced its plans to launch cooperation with Rosneft in the area of the ESPO's implementation and Sakhalin offshore projects' development (sputniknews/30/05/2008). Apparently, Russian supply allows Japan to diversify geographically its oil and LNG imports away from volatile Middle East and exhausting Southeast Asian reserves towards sources geographically close to Japan. It can possibly also help shift energy supply away from oil and more to towards natural gas (Shadrina E., 152:2010).

Bilateral energy cooperation is mutually beneficial. Given that Russia experiences a tough situation with energy pricing in the Chinese market, Japan (and Korea) are especially attractive consumers as they can significantly improve market parameters for Russian oil and gas supplied to Asia (Shadrina E., 152:2010).

6.3. Russia's energy relations with South Korea

Unlike relations with China and Japan, Russian ties with South Korea are not affected by any grave issue. Both Russia and South Korea seem to be viewing energy cooperation in a winwin mode. Russia pursues diversification of energy export, South Korea, in turn, sees the possibilities for the optimization of energy export geography (re-orientation from high dependency on the Middle East), improvement of structure of energy mix (increase of gas share), and the development of the national gas transportation network (by means of gas pipeline stretched from Russia) (Shadrina E., 152: 2010). According to KIIEP (Korea Institute for International Economic Policy), Seoul attaches a great importance to strengthening energy ties with Russia. Korean energy companies like Korean National Oil Corporation (KNOC) and Kogas – are assigned to play a pivotal role in this partnership. Likewise, Korea considers China's approach of establishing the intergovernmental strategic partnership with Russia and maintaining consistency in the foreign policy towards Russia as practically efficient and expedient policy mode (Shadrina E., 152-153:2010).

The bilateral energy cooperation between South Korea and Russia has gone ahead thanks to KNOC and Rosneft partnership. The companies have concluded an agreement to develop the West Kamchatka shelf. For two reasons, this deal was widely considered as a good model for the rest of NEAs aiming at pragmatic energy cooperation with Russian state owned oil companies. Firstly, KNOC could successfully avoid a provision on the strategically important deposit Russian legislation. Secondly, the Koreans have agreed to two key conditions and thus could meet Rosneft's expectations for the partnership. The first condition is a 60:40 share division, whereby Rosneft holds a 60 per cent share of this project (rigzone/14/12/2005). This

number is important for Rosneft, which prefers to promote projects with foreigners from a majority position. The other condition is that the Korean company will invest in prospecting operations, taking on 100 per cent of the risk in exploration, and Rosneft will be able to claim a share of the revenues once commercial production begins (Takeda Y., 6:2008).

As far as natural gas is concerned, relations between the two countries are just as good. Overall, KOGAS's general reputation as a convenient and receptive partner in Gazprom's terms reinforces the company's competitive position as a potential partner for other Russian energy companies. According to intergovernmental agreement signed in October 2006, between the two countries, Gazprom and Kogas were identified as the companies authorised to oversee gas deliveries from Russia to the Republic of Korea (ROK). On June 23, 2009, as part of the Gazprom delegation visit to the ROK, Alexey Miller (Chairman of Gazprom's Management Committee) and Choo Kangsoo (KOGAS Chief Executive Officer) signed an agreement to jointly explore Natural gas supply. Under the agreement, the final report was issued in 2010. The report looked at options for the supply of gas from the terminal point of the Sahalinis - Khabarovsk - Vladivostok pipeline to the ROK. On September 15, 2011, Gazprom and KOGAS signed the roadmap for the supply of gas from the Russian Federation to the ROK. The roadmap is a first-priority action plan for the implementation of the project (Gazprom/05/08/2011 and 06/04/2012). A seemingly breakthrough in inter-state gas relations happened in September 2008, when Gazprom and Kogas signed a "gas package" envisaging supplies of 10 bn cm/y over 30 years starting from 2015. There were plans to build a gas pipeline to Korea from Vladivostok traversing the DPRK in 2011–2014 (inter-governmental agreement on Cooperation in gas industry and MoU on gas exports), and construct a gas chemical plant and an LNG facility near Vladivostok (Shadrina E., 153:2010). The next move was on June 23, 2009, when Gazprom and Kogas signed the Agreement on Joint Study for Gas Exports to Korea envisioning an extension of Sakhalin-Khabarovsk-Vladivostok gas pipeline to Korea (Shadrina E., 154:2010).

7. Russia's energy relations with the Middle East – Arab World, Iran and Turkey

7.1. Russia's presence in the Middle East hydrocarbon deposits and the Russia-Israel cooperation.

Russia's policy towards the Middle East today is a far cry from the ideologically driven, Cold War zero-sum thinking which guided the Kremlin for many years. In fact, Putin's policy towards the region has been anything but ideological (Bourtman I., 1:2006). Learning from U.S. policymakers who for many years developed relations with both Arab states and Israel and were thus at an advantage when it came to resolving disputes and capitalizing on economic opportunities, Russian officials now similarly avoid any ideological principle that would force their policy to be zero-sum (Bourtman I., 1:2006). As Russian Foreign Minister Sergey Lavrov told the Russian newspaper Pravda «*Russia's policy is neither pro-Arab, nor pro-Israel. It is aimed at securing Russian national interests. Maintaining close and friendly ties with Arab states and Israel is among them*» (Borisov S., 2004). Putin was interested in continuing and expanding the role of Russian companies in the energy sector. For years, Russian firms have been buying oil from Iraq and then reselling it to Europe and the United States, but only recently has Russia begun crafting energy deals with Saudi Arabia, Iran, Syria, Jordan, and even Israel (Bourtman I., 1-2:2006).

During Putin's presidency, Israel has come to play an increasingly significant role in Russia's Middle East policy. Putin has done more than any other Russian leader to improve economic and strategic ties with Israel. Trade between Russia and Israel has improved under Putin presidency (\$ 3.5 billion in 2014) (Borshchevskaya A., 2016), and the energy sector is a large share of trade (over \$ 1 billion) (Bourtman I., 2:2006). In November 2005, it was reported that the Blue Stream Natural Gas Pipeline—a \$3.4 billion dollar project between Russia and

Turkey— would be expanded to Israel through the Eilat-Ashkelon pipeline to allow Russian and Azerbaijani oil and gas to be exported by tanker through the Red Sea to China and through the Suez Canal to Southern Europe (Bourtman I., 3: 2006). Were the Blue Stream Pipeline to be expanded to Eilat, Israel would instantly become a major regional hub of oil and gas, receiving hundreds of millions of dollars in tariff revenues and, maybe even more importantly, finally achieving some much needed energy security. In March 2006, following a return visit by Alexey Miller to Israel, then acting Prime Minister Ehud Olmert stated that Gazprom had agreed to supply Israel with gas (Bourtman I., 3:2006).

7.2. The presence of Russian oil companies in Iran

The relationship between Iran and Russia has been characterized more by competition than by cooperation in modern political history. Military incidents during the Soviet era created an atmosphere of distrust, but Russia has become an increasingly prominent economic and political partner of Iran as both countries have been targeted by Western sanctions regimes. More recently, upheaval in global energy markets and the deteriorating security situation in Syria have led to the forging of stronger commercial and political bonds between the two countries (Wheeler E., and Desai M., 2016). The relaxation of sanctions in Iran in mid-2015 provides an opportunity for Russia and Iran to consolidate the already important relations in the production of oil, gas and electricity. Iran and Russia are two "hydrocarbon giants". Iran is ranked second in natural gas reserves (eia.gov 2016) in the world (largely unexploited) after Russia. In addition, both countries are among the top ten states in proven oil reserves (eia.gov/2016). Given their capacity as potential competitors, countries seem to be unable to cooperate in the energy sector. As some analysts pessimistic about Russia have already pointed out, for instance, the influx of Iranian crude into international oil markets will likely take market share from Russian exporters and further depress global oil prices (Wheeler E., and Desai M., 2016), (Nikolewski R., 2015).

Given the precarious nature of E.U.-Russian relations and the need for alternative suppliers of natural gas, Moscow and Tehran could also find themselves competing to satisfy European demand for natural gas. While these are viable possibilities, political and commercial incentives exist that are more likely to push Iranian and Russian oil and gas businesses toward collaboration instead of overt competition in both the short- and long-term (Wheeler E., and Desai M., 2016). The National Iranian Oil Company (N.I.O.C.) signed a series of collaborative agreements with Russian national oil company Gazprom to develop the South Pars gas field and brokered a number of exploration and production (E&P) and natural gas distribution deals with Gazprom and other Russian oil companies in the early-late 2000s (sputniknews.com/19.02/2008), (rt.com/29/07/2016). In 2013 and 2014, the two countries signed broad E&P and infrastructure development deals worth around \$10 billion (rt.com/28/04/2014).. In 2016, Gazprom submitted a formal request to partner with N.I.O.C. in the construction of the country's first natural gas liquefaction plant (mehrnews.com/02/08/2016). In many instances, Russian companies demonstrated their commitment to the Iranian market by signing cooperation agreements in the face of significant Western opposition. For instance, Russia and Iran signed a new five-year strategic energy plan in July 2016, or that Russian energy companies have been shortlisted by the Iranian government (sputniknews.com/29/07/2016). In purely commercial terms, collaboration between Iran and Russia tallies with both countries' short- and long-term investment priorities. Russia sees in Iran a vast yet underdeveloped hydrocarbons sector that lacks sufficiently advanced production, refining and distribution technology and expertise. Russian companies possess, and are incentivized to offer, this technology and expertise to Iranian companies, which stand to gain invaluable assistance without the political baggage implicit in any engagement with the United States or European energy companies. Russian companies are also able to do so at a much quicker pace than U.S. and European companies, which will continue to be hampered by sanctions and compliance concerns, at least in the near-term (Wheeler E., and Desai M., 2016).

Some Russian government officials have publicly recognized that a window of opportunity exists to modernize the capabilities of Iranian energy companies across the value chain and bolster the expertise of local personnel. In doing so, Russian companies would position themselves to fill a short- to medium-term need as well as become a long-term partner of increasingly sophisticated Iranian companies. They would also effectively eliminate or severely reduce the chance of U.S. or European companies gaining a priority position in Iran, as well as lessen the possibility that an unproductive rivalry could form between Russian and Iranian energy companies (Wheeler E., and Desai M., 2016).

7.3. The presence of Russian oil companies in Syria - Russia's competition with the Gulf states to supply hydrocarbons on the European market

Questions regarding the possible role of natural gas in the Syrian conflict have come up once more since direct Russian military intervention began at the end of September of 2015 (Butter D., 2015). It has been erroneously contended that Russia perceives a need to control Syria to protect its dominance of the European gas market, in particular from a proposed Qatari pipeline that would cross Syrian territory (Chang C., 2015). Although the Russian state and its gas export monopoly, Gazprom, have a vital strategic interest in maintaining their 30 percent share of the European gas market and keeping an eye on potential competition, the actual or potential role of Syria in this is irrelevant to Russia's involvement in the Syrian conflict (Butter D., 2015). The theory that Syria is significant to Russia's gas exports rests on three possible scenarios: the first one involves the construction of a pipeline from Qatar, through Saudi Arabia, Jordan, and Syria to Turkey, and onwards to Europe (sputniknews/11/07/2016) the second entails a pipeline from Iran through Iraq to Syria and then to Europe (Escobar P., 2012), (Engdahl W., 2016) and the third would arise from the discovery and development of offshore gas fields in Syrian waters of the Mediterranean (Kashi D., 2014).

The Qatari pipeline scenario has been given some credence in light of Qatar–Turkey discussions in 2009 and 2010, which floated the idea that the Gulf Arab state could contribute gas to the proposed Nabucco pipeline. Turkey may have had an interest in using the possibility of getting Qatari gas as a bargaining chip in its price negotiations with Gazprom, while Qatar at that time was grasping every opportunity it could get to advertise its global importance (Butter D., 2015). It has been claimed that the Qatar–Turkey pipeline plan failed because President Bashar al-Assad rejected it in order to protect the interests of Syria's ally, Russia, in preserving its dominant position in Europe (Muhawesh M., 2015). In the mid-2000s, the Syrian government commissioned seismic surveys of its territorial waters to assess their oil and gas prospects. Interest in the potential of this zone grew following the major gas discoveries made in Israeli waters and off the coast of Cyprus (Butter D., 2015). Syria offered four offshore blocks in two exploration bid rounds, but received only a limited response. At the end of 2013, an agreement was reached with Russia's Soyuzneftegaz to explore one of the blocks (rt.com/25/12/2013). Identifying Russia's major strategic interests in Syria can help to make sense of a conflict so brutal when explaining it in terms of naked power politics, state dysfunction, and warped ideology seem inadequate. However, the contention that «*Russia's involvement in Syria is influenced by natural gas interests is farfetched*» (Butter D., 2015).

7.4. Russia-Turkey Energy Partnership: Collaboration with Conflict

Energy relations between Russian and Turkey have long been characterized by overt friendship and subtle competition. Along with its booming economy, Turkey's demand for energy has surged in recent years, growing faster than in almost any other country except China. Turkey must acquire almost all its oil and gas from foreign sources, primarily Russia. The large volume of oil and especially natural gas that Turkey regularly imports from Russia goes far toward explaining why Russia has become Turkey's largest trading partner, displacing Germany in 2008 (Weitz R., 2012).

Russian officials consider Turkey their main energy partner in southeastern Europe, similar to Germany's role in northeastern Europe. Plans to construct a second leg for Blue Stream were later incorporated into the \$11 billion South Stream pipeline project supported by Russia's state-run energy company Gazprom and Italy's state-run energy corporation ENI. It is to be constructed on the seabed of the Black Sea, delivering natural gas from Russia and Central Asia directly to southeastern Europe. The initial volume would be 31 billion cubic meters, a quantity that would eventually double to 63 billion (Weitz R., 2012). During Russian Prime Minister Vladimir Putin's visit to Ankara in August 2009, Turkish officials gave Gazprom the right to explore in Turkey's Exclusive Economic Zone to determine where they might construct the South Sea pipeline (Vavilov A. et al., 187-188:2011). After meeting with Turkish Prime Minister Recep Tayyip Erdoğan in Moscow in January 2010, Putin told reporters that: «*the Turkish government would wait to proceed with South Stream until after receiving favorable results from an environmental impact assessment and geological and seismic studies*» (Weitz R., 2012).

In December 2011, the Turkish government granted Gazprom permission to begin the construction of the pipeline (Vavilov A. et al., 187-188:2011). The government purportedly based its decision on the positive results of assessments and studies, but Turkish policy makers probably also thought they had to accept the construction of South Stream in order to receive Moscow's support for the Samsun-Ceyhan pipeline (Raufoglu A., 2012). Following Ankara's approval of South Stream, the Russian government has deepened its support for the Samsun-Ceyhan 700-kilometer trans-Anatolia oil pipeline. Turkey's Calik Holdings AS and Italy's state-controlled Eni SpA Corporation, which has long enjoyed close ties with Gazprom, are currently constructing this \$3 billion project, which aims to deliver some 500 million barrels of oil annually. During Erdoğan's visit to Moscow in January 2010, the two governments agreed that Russian energy firms could also assume a role in its construction (Weitz R., 2012). Once completed, the pipeline will carry up to 1.5 million barrels of Russian and Kazakh crude oil daily from Turkey's Black Sea port of Samsun to its Mediterranean port of Ceyhan (Kottari M, Popovici V., Wisniewski J., 26:2013), where the oil would be loaded onto tankers – with the possibility of on-site refinement – for shipment to European markets (Weitz R., 2012). Ankara strongly supports the pipeline both to strengthen Turkey's role as a major Mediterranean energy hub and to reduce the oil tanker traffic in the Bosphorus Strait. Instead of traversing the overcrowded strait, which poses a constant risk of an environmental disaster if a major oil spill would occur near Istanbul, the largest tankers would transport the oil to Samson, where it would be offloaded and sent through the pipeline (Arsu S., 2010).

The Russian government had previously preferred an alternate Burgas-Alexandropoulos route – a 280 km pipeline to bypass the Bosphorus. Russia, Bulgaria and Greece signed an agreement in 2007 to construct this so-called Trans-Balkan pipeline, in which Russian companies would own 51% of the shares. It would transport Russian and Caspian oil to the Bulgarian Black Sea port of Burgas, where oil would be sent by pipeline to the Greek Aegean port of Alexandroupoli (sputniknews/06/05/2010). However, this proposed pipeline has been stalled since July 2009, when a new Bulgarian government took office and demanded a better deal (Tsakiris T., 2011). The Russian government has expressed interest in merging the Burgas-Alexandropoulos, if the Bulgarian government ever endorses it, with the Samsun-Ceyhan pipeline as an enticement to Turkey. The existence of both pipelines could eliminate the need for crude oil tankers in the Bosphorus and the Dardanelles altogether (sputniknews/06/05/2010). Russian officials have nevertheless accepted Samsun-Ceyhan pipeline as «*an acceptable consolation prize, since it would make Turkey even more dependent on Russian energy supplies – around 70% according to Erdoğan's calculation*» (Weitz R., 2012).

However, Russia's and Turkey's energy relations are not just about hydrocarbons. During Medvedev's May 2010 visit to Ankara, the two governments signed an unprecedented \$20 billion nuclear energy deal. Under its terms, the Russian consortium led by Atomstroyexport will construct Turkey's first nuclear power plant in the southern Mediterranean coastal province of

Mersin, near the town of Akkuyu. The plant's four reactors, which will be built in pairs, will have a planned total capacity of 4,800 megawatts, which would make it one of the largest in the world (Weitz R., 2012) (stratfor/14/05/2010). Medvedev stated that the *«nuclear energy deal opens a new page in cooperation between our states»* (sputniknews/12/05/2010).

Concluding remarks

Russia's foreign energy policy is influenced by global policy and economy factors, developments at regional and bilateral levels, and the dynamics of the energy market. Despite the differences in Russia's approaches in each of the geographical regions - Europe (mainly the EU), Central Eurasia and North-East Asia - some common features make it possible to define different policy plans. That is, Russia's modern energy policy towards Europe is significantly influenced by EU internal regulations and is essentially shaped by bilateral agreements between Russia and the EU. Russia's energy relations with the EU exposes, if not cooperation as such, a certain degree of coordination in the policy-making process. In its relations with the EU, Russia demonstrates its readiness to comply with market principles introduced into EU energy governance, such as the EU's Third Energy Package, the Action Plans, Etc. (Shadrina E. 11-12:2010). Russia sees the EU as a counterweight that allows for a more integrated functioning of the Energy Partnership, a partner through which Russia can effectively achieve a fourfold goal: improving energy security, energy efficiency of the economy, efficiency of the sector budget Energy, and ecological security (as mentioned in Russia's Energy Strategy 2030) (energystategy.ru., 24:2010).

Russia's energy relations with the EU are characterized by a strong symmetrical interdependence (a large supplier - a large consumer), which is further enhanced by the deep dependence of both sides on the passage of energy. In Central Eurasia, Russia's energy policy is currently undergoing profound changes. The pattern of cooperation established in the post-Soviet era is transformed to reflect the new reality of integration into the post-Soviet space, particularly with the participation of Central Asian countries. However, there is an even more important trigger for changing Russia's policy. In the context of the growing dramatic geopolitical importance of the region, the Central Asian states tend to broaden their ties with both the West and the East. In the energy field, this translates (for the countries of Central Eurasia) into a policy of expanding international cooperation and diversifying oil exports, especially their natural gas. This creates a new arrangement for energy relations between Russia and Central Eurasia (Shadrina E., 11-12:2010).

Russia's resource nationalist strategy is typically treated as a product of concerted policy, legacy infrastructure, and resource endowments. Yet the Kremlin does not operate in a strategic vacuum, and it is constrained by the respective interests and behavior of its Northeast Asian partners. With Beijing, Moscow has to manage not only the opportunities for diversifying China's supply and fears of over-reliance on the foreign energy factor, but also the impact of Beijing's approach to acquiring foreign stock and conducting pipelines All over Eurasia. With Japan and the Republic of South Korea, Moscow can benefit from the additional interests stemming from the Tokyo and Seoul commitments to diversify energy imports (both geographically and energy-supplying, ie natural gas) (Stulberg N.A., 4:2011) with Japanese and Korean companies acting to have an active presence in the Russian Far East. With Middle Eastern countries, Russia is struggling to exploit the lack of infrastructure and know-how of Middle Eastern companies for the benefit of its own energy giants. Russia's fears of losing the monopoly as Europe's energy supplier have forced it to take measures to prevent the status quo in the region, either by military means (see Syria) or by contracting energy projects in the region (see Iran). Finally, in relations with Turkey, Russia is exploiting its growing need for energy stemming from its industrial development.

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